

A REPORT
TO THE CITIZENS OF SALT LAKE COUNTY
BEN McADAMS, MAYOR



An Audit of the Key Controls of
Acord Ice Center

February 05, 2014

GREGORY P. HAWKINS

SALT LAKE COUNTY AUDITOR

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February 05, 2014

Ben McAdams, Mayor
Salt Lake County
2001 S State St #N2100
Salt Lake City, UT 84114-4575

Re: An Audit of the Key Controls of Acord Ice Center

Dear Mayor McAdams:

We recently completed an analysis of the financial records of Acord Ice Center in compliance with Utah Code Ann. § 17-19a-204. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that we have identified as key to good financial management. We also sought to identify areas of material risk to determine whether we should commit more of our limited resources in further auditing or investigation. A report of our findings and recommendations is attached.

Our work was designed to provide reasonable but not absolute assurance that records were accurate and complete and that the system of internal controls was adequate. There may be inaccurate or incomplete financial records that were not selected for review. Further, there may also be instances of noncompliance in areas not examined.

We appreciate the time spent by the staff at Acord Ice Center and the cooperation from Marian King, Office Assistant, Chris Billeter, Program Coordinator, and other assigned staff members for answering our questions, gathering the necessary documents and records, and allowing us access to Acord Ice Center during our audit. The staff was friendly, courteous, and very helpful. We trust that the implementation of the recommendations will provide for more efficient operations and better safeguarded County assets. Please feel free to contact me with any questions.

Sincerely,

Gregory P. Hawkins
Salt Lake County Auditor

By James Fire MBA/Acc
Deputy Auditor

cc: Michele Nekota, Division Director
Cheryl Crook, Accountant
Tiffany King, Facility Manager



Objectives

Pursuant to § 17-19a-204, we analyzed the financial records and internal controls of Acord Ice Center. Our purpose was to verify the accuracy and completeness of selected financial records and to assess compliance with certain internal controls that are key to good financial management. We also sought to identify areas of material risk.

Conclusion

Key control areas were examined to determine the levels of risk to County assets. Of the areas examined, a finding was noted for the deposit of receipted funds exceeding the 3-day limit. In addition, merchandise inventory controls findings were noted for areas of ordering, payment, records management, count sheets, and shrinkage. A report of the last audit of the Acord Ice Center was released to the public in April 2013.

Findings and Recommendations

Finding # 1 - Merchandise was ordered, paid, and records maintained by the same person.

Risk Level: [Moderate](#)

United States General Accounting Office, Executive Guide, (2002), "Best Practices in Achieving Consistent, Accurate, Physical Counts of Inventory and Related Property," Page 28, states:

"The key areas of segregation are (1) physical custody of assets, (2) processing and recording of transactions, and (3) approval of transactions. Ideally personnel performing any one of the above functions would not also have responsibilities in either of the other two functions. ... In situations where segregation of duties is not practical or cost-effective, other controls should be employed to mitigate the recognized risk. Such mitigating control procedures include blind counts (meaning that the counter does not know how many items are supposed to be there before or during the count process), increased supervision, and applying dual control by having activities performed by two or more people."

The Program Coordinator ordered, paid for merchandise with their County-issued purchasing card, and maintained the merchandise inventory records. The Facility Manager approved the orders at the end of the month during review of purchasing card transactions.

Without compensating controls in instances where segregation of duties is not practical or cost effective, increased risk of undetected theft or loss, unexpected shortages of critical items, and unnecessary purchases of items already on hand is increased.

Recommendation

We recommend that compensating controls be implemented to increase oversight by the Facility Manager before ordering and payment of merchandise inventory.

Finding # 2 - Merchandise inventory count sheets were not on file.

Risk Level: Low

United States General Accounting Office, Executive Guide, (2002), "Best Practices in Achieving Consistent, Accurate, Physical Counts of Inventory and Related Property," Page 5, states:

"Managing the acquisition, production, storage, and distribution of inventory is critical to controlling cost, operational efficiency, and mission readiness. Proper inventory accountability requires that detailed records of produced or acquired inventory be maintained, and that this inventory be properly reported in the entity's financial management records and reports. ... The ability to accurately count physical inventories is critical in verifying that inventory actually exists and that on-hand balances agree with financial and logistical records."

Detailed records of merchandise inventory counts were not maintained.

When detailed records are not maintained, there is an increased risk of undetected theft or loss, unexpected shortages of critical items, and unnecessary purchases of items already on hand.

Recommendation

We recommend that the Acord Ice Center keep on file the inventory count sheets and that the count sheets be signed and dated by the person performing the counts.

Finding # 3 - The merchandise inventory shrinkage was not calculated.

Risk Level: Low

Standard business practice requires comparison to the count that should be on hand, as determined by prior inventory plus purchases, and minus sales (cost of goods sold). Alternatively, an expected inventory on hand can be calculated from the prior count plus purchases minus the current count. The resulting sum (shrinkage) is then multiplied by retail price and compared to actual sales since the last count.

The merchandise inventory procedure did not result in a difference between the actual count and the expected count that should have been on hand.

Without a process to determine and report inventory shrinkage, management cannot effectively determine the levels of losses due to theft, damage, returns, incentives, or defective goods.

Recommendation

We recommend that a method to determine the levels of merchandise inventory shrinkage be implemented.

Finding # 4 - Deposits were not always made in a timely manner.

Risk Level: Low

Countywide Policy #1062, "Management of Public Funds," Section 4.1.2 states:

"As required by § 51-4-2, Utah Code Annotated, all public funds shall be deposited daily whenever practicable, but no later than three days after receipt."

We found that 18 out of 59 tills examined were deposited more than three days after receipt of collections.

When funds are not deposited on a timely basis, they are more susceptible to loss or theft. In addition, interest is lost that would otherwise be accrued.

Recommendation

We recommend that funds be deposited on the same day, whenever practicable, but no later than three days after receipt.

Additional Information

Background

The Acord Ice Center in West Valley City, opened in June 1997, provides public skating, and drop-in programs for figure skating and hockey. The center also runs youth and adult hockey leagues, and introduction classes for both skating and hockey. Aside from these activities, there is private ice rental for hockey teams, including high school hockey teams. During the 2002 Salt Lake City Winter Olympic Games it served as a practice venue, primarily for men's hockey. Acord has four County merit employees, and uses Sportsman software for its cashiering system.

Scope

Our work included a formal examination of financial records related to the following key internal controls, to the degree applicable:

- Change fund
- Petty Cash and Imprest Accounts
- Cash Receipting
- Cash Depositing
- Credit / Debit Card
- Capital and Controlled Assets and Software Inventory
- Financial Computer Controls
- Purchasing Card Use
- Payroll Practices

Our examination period covered up to twelve months ending January 23, 2014. In addition to reviewing financial records, we reviewed and examined current practices through observation. Sampling of daily cash deposits, where applicable, was performed to assess compliance with Countywide policy and standard business and internal control practices.

Management response to findings in this report, when received, will be attached as Appendix A.



2014 Summary of Audit of Key Control

Findings and Recommendations

Acord Ice Center Dated: January 29, 2014

No.	FINDING	RECOMMENDATION	RESPONSE / ACTION TAKEN
1.	Merchandise was ordered, paid, and records maintained by the same person.	We recommend that compensating controls be implemented to increase oversight by the Facility Manager before ordering and payment of merchandise in inventory.	The Facility Manager will review the merchandise inventory log prior to orders placed by Program Coordinator. The coordinator will submit the order and pay with their purchasing card. Additional employee will verify received inventory and sign invoice along with coordinator. Action will take place immediately (2/4/14).
2.	Merchandise inventory count sheets were not on file.	We recommend that the Acord Ice Center keep on file the inventory count sheets and that the count sheets be signed and dated by the person performing the counts.	The program coordinator currently has on file inventory count logs for the past 6 years located in the I Drive. The coordinator was asked for the detailed forms and it was provided to the auditor. We will follow the recommendation to include signatures and date by two employees when inventory is counted. Action will take place immediately (2/4/14).
3.	The merchandise inventory shrinkage was not calculated.	We recommend that a method to determine the levels of merchandise inventory shrinkage be implemented.	Our current software at Acord Ice Center does not provide an inventory control system. The program coordinator currently counts inventory every quarter. We added a column to reflect the difference between the inventory and items sold. That number will be compared to what we should have at Acord thus reflecting the shrinkage. Action will take place immediately (2/4/14).
4.	Deposits were not always made in a timely manner.	We recommend that funds be deposited on the same day, whenever practicable, but no later than three days after receipt.	We will immediately follow recommendation as provided (2/4/14)

NAME AND TITLE OF PERSON RESPONDING: Tiffany King, Facility Manager

DATE PREPARED: 02/04/14